

Message Text

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ACTION EB-07

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EB/FPD FOR TAYLOR

PASS ELECTRONICALLY TO AGRICULTURE FOR WANAMAKER

E.O. 11652: NA

TAGS: UNCTAD EGEN

SUBJ: UNCTAD AND FAO REPORT FOR THE FIRST PREPARATORY MEETING
ON VEGETABLE OILS AND OIL SEEDS

1. UNCTAD SECRETARIAT HAS PROVIDED MISSION WITH DRAFT COPY OF SUBJECT PAPER, COPY OF WHICH WILL BE HAND-CARRIED TO EB/FPD PAUL TAYLOR BY EB/ISM, MURRAY ZINOMAN. PAPER FOLLOWS USUAL PATTERN OF BACKGROUND INFORMATION, PROBLEMS FACING DEVELOPING COUNTRIES, OBJECTIVES, AND MEASURES AND TECHNIQUES.

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2. BACKGROUND SECTION PUTS CONSIDERABLE EMPHASIS ON COMPLEXITY OF TRADE FOR THESE PRODUCTS, PARTICULARLY WITH RESPECT TO THE DIFFERENT CROP CYCLES FOR VARIOUS OILS, COMPETITION WITH SYNTHETICS AND WITH OTHER PRODUCTS SUCH AS BUTTER AND ANIMAL FATS. HOWEVER, IT ALSO SUGGESTS THAT THERE IS INCREASING HOMOGENEITY OF EDIBLE OILS, ESPECIALLY WITH RESPECT TO PRICES WHICH PAPER CLAIMS

NORMALLY MOVE IN LINE WITH EACH OTHER, WITH EXCEPTION OF OLIVE OIL. ONE IMPORTANT COMMENT POINTS TO THE IMPORTANCE OF OILS TO SOME OF THE LEAST DEVELOPED OF THE LDCS. IN THIS RESPECT, PAPER ALLEGES THAT THEY ARE ALREADY AMONG THE LOWEST COST PRODUCERS ESPECIALLY CONSIDERING THEY HAVE TO COMPETE "WITHOUT THE AID OF PRODUCTION AND EXPORT PAYMENTS OF THE KIND AVAILABLE UNDER EXISTING GOVERNMENT SUPPORT PROGRAMS TO PRODUCERS OF MANY DIRECTLY COMPETING PRODUCTS IN DEVELOPED COUNTRIES."

3. UNDER THE SECTION ON PROBLEMS, THE DIVERGENT INTERESTS OF LDC PRODUCERS ARE HIGHLIGHTED IN THAT COUNTRIES RELATIVELY SUCCESSFUL WITH OIL PALM AND SOYBEANS ARE MOSTLY CONCERNED WITH INSTABILITY, MARKET ACCESS, AND FINANCING OF STOCKS WHILE PRODUCERS OF GROUND NUTS AND COCONUTS STILL FACE TECHNICAL PROBLEMS IN THE WHOLE RANGE FROM CULTIVATION TO PROCESSING. THE MAJOR MARKETING PROBLEM CONFRONTING LDC PRODUCERS IS SAID TO CONSIST IN THE FACT THAT COMMERCIAL FIRMS AND GOVERNMENT AGENCIES IN DCS DEAL WITH A WIDER RANGE OF PRODUCTS AND IT IS DIFFICULT FOR LDCS TO MATCH THEIR MARKET INFORMATION AND MARKET RESEARCH CAPABILITIES. TARIFF ESCALATION AND NTBS ARE THOUGHT TO BE PARTICULARLY DAMAGING, ESPECIALLY WHEN COMBINED WITH DOMESTIC POLICIES. THE EFFECT IS TO INCREASE RETURNS TO PRODUCERS IN DCS, REDUCE TOTAL DEMAND, AND THUS RESTRICT LDC TRADE AND HOLD DOWN WORLD PRICES. THE CASE IS ARGUED THAT THERE IS SIGNIFICANT MARKET INSTABILITY. TAKING ONE EXAMPLE FROM SEVERAL TABLES INCLUDED IN THE REPORT, THE INSTABILITY IN VALUE IN THE PERIOD 1961 TO 1974 IN TERMS OF PERCENTAGE DEVIATIONS FROM TREND, AVERAGE AROUND 20 PERCENT IN A RANGE FROM 12.2 PERCENT ON LIMITED OFFICIAL USE

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GROUND NUT OIL TO 31.7 PERCENT FOR LINSEED OIL.

4. AS A CONSEQUENCE OF THE ARGUMENTS ON INSTABILITY IN PRICES AND EXPORT EARNINGS, ONE MAJOR OBJECTIVE SUGGESTED IS THAT MOST LDCS WILL ATTACH SIGNIFICANT IMPORTANCE TO PRICE STABILITY. OTHER MAJOR OBJECTIVES ARE GREATER MARKET ACCESS AND INCREASED PRODUCTION AND PROCESSING, THE LATTER AS MUCH FOR DOMESTIC CONSUMPTION PURPOSES AS FOR EXPORTS.

5. AS TO SPECIFIC MEASURES, ATTENTION IS CALLED TO THE FAO INTER GOVERNMENTAL GROUP ON OIL SEEDS STUDIES REGARDING BUFFER STOCKS, EXPORT QUOTAS AND MULTILATERAL CONTRACTS. HERE TOO, WHILE THESE STUDIES REVEAL TECHNICAL DIFFICULTIES, IT IS ASSERTED THAT THESE SHOULD NOT RULE OUT POSSIBILITIES FOR INTERNATIONAL STOCKING OF PARTICULAR OIL SEEDS. ON MARKET ACCESS, THE FIRST ITEM FOR ACTION IS TO INSURE THAT DEVELOPED COUNTRIES DO NOT IMPOSE EVEN MORE BARRIERS ON IMPORTS AND THAT EXISTING NON-TARIFF BARRIERS SHOULD BE PHASED OUT ACCORDING TO AN AGREED TIMETABLE. HOWEVER, SO AS NOT TO FOCUS TOO MUCH ATTENTION ON

ACCESS, IT IS ARGUED THAT IMPROVED ACCESS SHOULD BE SUPPLEMENTED BY MEASURES TO IMPROVE STABILITY AND COMPENSATORY FINANCING. OTHER SUGGESTIONS INCLUDE HARMONIZATION OF NATIONAL STOCKING AND STORAGE POLICIES, FINANCING FOR EXPANDED STORAGE FACILITIES, ESTABLISHMENT OF REFERENCE PRICES (IF PRICES FALL BELOW THIS LEVEL A CERTAIN PERCENTAGE WOULD BE BOUGHT FOR LDC IMPORTERS WHO WOULD CONSUME IT OR STORE IT FOR RESALE WHEN PRICES RISE), EXPANDED COMPENSATORY FINANCING, AND EXPANDED RESEARCH AND TECHNICAL ASSISTANCE.

6. COMMENT: AS THE ABOVE SYNOPSIS INDICATES, THIS MEETING WILL ADDRESS ITSELF TO MANY OF THE THORNIEST ISSUES CONFRONTING COMMODITY DISCUSSIONS UNDER THE IPC. A WIDE SPECTRUM OF LDC PRODUCERS AND CONSUMERS ARE INVOLVED, INCLUDING THE LEAST DEVELOPED. DOMESTIC PRODUCTION POLICIES AND MARKET ACCESS IN DCS WILL BE PRIME TARGETS FOR DISCUSSION. QUESTIONS OF FINANCING FOR STOCKS AND STORAGE FACILITIES WILL BE RAISED IN THE CONTEXT OF A PUSH FOR A LIMITED OFFICIAL USE

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COMMITMENT TO STABILIZATION BOLSTERED BY DATA ON INSTABILITY. G-77 VIEW OF COMMON FUND AS A SOURCE OF FINANCING WILL BE PARTICULARLY ATTRACTIVE TO LDCS PUSHING FOR THE PURCHASE OF STOCKS FOR LDC CONSUMERS DURING PERIODS OF DEPRESSED MARKETS. RECENT EXPERIENCE WOULD INDICATE THAT WHILE G-77 MEMBERS WILL BE PREPARED TO CONTINUE WITH FURTHER STUDY, THEY CAN BE EXPECTED TO PURSUE A VERY HARD LINE AND DELEGATION SHOULD PREPARE FOR INTENSIVE INFORMAL CONSULTATIONS WITH LDC PRODUCERS AND CONSUMERS. IF MANY LDC CONSUMERS PARTICIPATE IN WORK OF CONSUMER GROUP, THIS WILL CREATE SPECIAL DIFFICULTIES FOR CONSUMER COORDINATION WHICH USUALLY INVOLVES PRIMARILY DCS.SORENSEN

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